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ABSTRACT

Today poverty in rural America remains pervasive and persistent. A decade ago, 14 million rural Americans were classified as "officially" poor. In 1973, nearly 9.2 million were classified poor. The decline in rural poverty over the years has been minimal. This paper briefly documents the poverty statistics according to the living standards used by the Census Bureau and the Bureau of Labor Statistics. The following welfare programs are briefly discussed to indicate the nature of their deficiencies, particularly as they relate to rural people: (1) Social Security, (2) Aid to Dependent Children, (3) Medicaid, (4) food and nutrition programs, and (5) general assistance. A discussion is presented on the coordination of health, legal, educational, and employment services which would eliminate the necessity for different distribution centers and the overlap in outreach and administration. Innovations, changes, and improvements which would "greatly" improve programs for all who are temporarily or permanently in need of assistance are outlined for those who: (1) work, (2) can and want to work, (3) are temporarily unemployed and seeking work, and (4) cannot work. The negative income tax alternative is discussed in the appendix. (NQ)

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RURAL POVERTY AND WELFARE

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RURAL POVERTY, WELFARE AND INCOME MAINTENANCE

Need and Non-Response

"In a nation in which the wealthiest 1% possess more than eight times the wealth of the bottom 50%, in which the percentage of national income going to the lower fifth of the population has remained the same for 45 years, and in which 40 million people remain poor or near poor, more than a food stamp, WIC, or child feeding program is at issue...." (Senate Select Committee on Nutrition and Human Need, June, 1974.)

"The problem is rural poverty. It affects some 14 million Americans. Rural poverty is so widespread, and so acute, as to be a national disgrace...." (President's National Advisory Commission on Rural Poverty, 1966) 1/

It is 1975, a decade later. Not much has changed. Poverty in Rural America remains pervasive and persistent. All the studies, exposés, public promises, and Great Society programs have accomplished little. And what minimal gains were made are today being eroded, if not reversed, by rampant inflation and massive unemployment. The rural poor are still "The People Left Behind" and they may well be falling further behind because of our current economic and political crisis.

We only have to look at the poverty statistics to document the need and public's near non-response to the plight of the rural poor. Using the official poverty standard, regarded by many as a below subsistance level, 2/ the decline in rural poverty over the years has been minimal. A decade ago, when 14 million rural Americans were classified as "officially" poor, Rural America accounted for half the nation's poor, a percentage rate twice as high as in urban areas. 3/ In 1972, when the official poverty

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1/ Economic Research Service, U.S. Dept. of Agriculture, "The People Left Behind"---Four Years Later, Committee Print, Committee on Agriculture and Forestry, p. 5 (U.S. Government Printing Office, 1971).

2/ See Parker, Richard, The Myth of the Middle Class, and Lampman, Robert J. "What Does It Do for the Poor? A New Test of National Policy", in Ginzberg, Eli, and Solow, Robert M. (eds) The Great Society: Lessons for the Future, pp. 67-68 (Basic Books, 1974).

3/ Tamblyn, Lewis R., Inequality: A Portrait of Rural America, pp. 8-9. (Rural Education Association, 1973).

level was $4,275 for a family of four, 40.7%, or 10 million persons lived in non-metropolitan areas, a hopeful decline, in both the percentage and absolute numbers of rural poor. 1/ A further decline was registered in 1973, when the percentage of rural poor living in non-metropolitan areas dropped to 40.1% and the absolute number of rural persons in poverty to about 9.2 million people. 2/ On the surface, real progress seemed to have been achieved when comparing this latest survey with those conducted in previous years. As many as 4 to 5 million persons appeared to have escaped poverty in rural areas. Whether because of an improving economy, effective public programs, increases in public cash and in-kind transfer payments, or simply rural to urban migration, or a combination of these factors could be debated by the experts. All probably played a part. 3/

In any discussion of poverty, urban or rural, it is essential that the reader keep at least two things in mind. In the first place, in 1966 when the official poverty line was established, the income level was computed using a formula, like this: Since, on the average, U.S. families spend 1/3 of their income on food and since the Department of Agriculture has three food budgets, one of which is unsafe to live on for more than 10 days, we will multiply that below-subsistence food budget by 3 and the result equals poverty. This was a purely political decision. For example, the poor spend more on shelter than the higher income groups.

To make matters worse, in 1969, the first year of Mr. Nixon's first term, the government made a little change in the formula. It was decided that the

> "line would no longer be updated by applying current food prices to the economy food plan, but by applying the previous year's increase in the Consumer Price Index. This change...has made it less responsive to the current high

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1/ U.S. Bureau of Census, Current Population Reports, Series P. 60, No. 91, "Characteristics of the Low-Income Population, 1972 (December 1973) and Series P.60, No. 95, "Supplementary Report on the Low-Income Population: 1966-1972" (July, 1974), n.1, Table 7, pp. 23-24.

2/ U.S. Bureau of Census, Current Population Reports, Series P.60, No. 98, "Characteristics of the Low-Income Population; 1973 (January, 1975) p. 21. The poverty level rose to $4,550 in 1973.

3/ See generally, Ginzberg & Solow, Op.Cit.

rate of inflation in food prices than it was in its original form, and less responsive to the realities of how low-income families must allocate their available incomes. The CPI, after all, reflects changes in (the price) of major appliances and middle-income spending patterns, while many poor families must spend three-fourths of their incomes just on food and shelter." 1/

So the statistics on rural poverty which might normally be reason for some optimism are cold comfort.

The need and non-response to income poverty is even more stark if the measure of poverty applied is the more "generous" lower living standard of the Bureau of Labor Statistics. Consider: In 1973, when the lower living standard was fixed at $7,625 for a non-metropolitan family of four, 35.7% of all non-metropolitan families, approximately 6.3 million families had incomes at or below the lower living standard. Nearly 19 million people! Almost 40% of the total rural population! 2/ In 1975 dollars, the BLS lower living standard is now about $8,370 for a non-metropolitan family. 3/ Today a minimum standard of living as defined by the Bureau of Labor Statistics, may be beyond the reach of nearly half the rural population!

Certainly, it is beyond the reach of:

--the persistently poor, 50% of whom live in rural areas, a total of 2.7 million people who according to one longitudinal study, live in poverty year in and year out; 4/

1/ Amidei, Nancy, "The Children Left Behind: A Report on Medicaid and Child Health".

2/ Ibid.

3/ Brackett, Jean, "Urban Family Budgets Updated to Autumn 1973", Monthly Labor Review, August 1974, pp. 57-62. Based on Brackett's calculations, and factoring in inflation to date, the figure of $9,000 for a family of four in an urban area is arrived at. Typically, the rural budget is figured as 7% lower, which yields the figure $8,370.

4/ Based on DHEW, "The Changing Economic Status of 5000 American Families: Highlights from the Panel Study of Income Dynamics" (May 1974), Table 3. p. 14 and Table 4, p. 18.

--the migrant and seasonal farmworkers who earn an average income of $1,833; 1/

--the poorest of the poor, the 55% of the Native American population in rural areas, of whom more than 66% earn less than the poverty level; 2/

--and the discriminated against, the black poor, who account for 32.3% of all the rural poor, and the Chicano poor, who live mostly in rural areas and account for 10% of the total poverty population. 3/

THE ROAD AHEAD

Millions of rural Americans are poor. The goal cannot be more clear. What the rural poor need to be non-poor is first and foremost adequate income, enough to afford at least a level of living adequate to health and decency. There will be differences of opinion about what is adequate or sufficient.

While the Census Bureau uses the "official" adequacy standard developed by USDA in 1961 (now $5,600 for a family of four) and the Bureau of Labor Statistics relies on a Lower Living Standard for a family of four (now $8,370), the public, when polled, has consistently agreed that a minimum adequate income is about one-half the national average income, which today approximates the BLS Lower Living Standard. 4/

1/ Berman, Jerry J. "The Need for a Rural Policy", (Unpublished on file, Center for Community Change 1971) p. 5.

2/ Office of Special Concerns, DHEW, "A Study of Selected Socio-Economic Characteristics of Ethnic Minorities Based on the 1970 Census, Vol. III: American Indians, (July 1974) pp. 62-64.

3/ U. S. Bureau of Census, Series P.60, No. 98, Table 3., p. 21 and p. 2.

4/ Rainwater, Lee, "Economic Inequality and the Credit Income Tax," "Working Papers, Vol. 1, No. 1 (Sprong 1973), pp. 50-62.

THE JOBS QUESTION

Before considering some of the options for achieving adequate income for rural Americans through programs designed to supplement or maintain income, it is important to stress the issue of jobs. Since other panels at this National Conference on Rural America are exploring employment strategies in depth, we only mention it here to make the critical point that a strategy to achieve real full employment (not a full employment that assumes 4% unemployment) should be viewed as the foundation of any income strategy.

Clearly, the best way to insure adequate income and preserve human dignity for most Americans is to guarantee a decent job at an adequate wage to every person who can or wants to work. From this perspective, income maintenance and supplementation programs are viewed as insurance against the failure of the private or public sector to provide jobs that pay adequate wages or as programs to replace the earnings of those who for legitimate reasons cannot work, whether because of age, disability, the need to care for young children, or other reasons.

To achieve a full employment economy, the government will have to play a major role in creating jobs and allocating those jobs to meet pressing social needs (e.g. building mass transportation systems, cleaning up the environment, developing new energy sources, providing health care and other social services, etc.). As the experience of the 1960's has shown, training and educating the poor -- the equal opportunity strategy -- is not enough. The private market cannot absorb all the employables, and certainly not for work which meets pressing public needs.

A number of options need to be explored, such as a major expansion of public service employment, the use of government procurement programs ($75 billion annually) to insure balanced, ecologically sound economic growth and to assist depressed areas (many of them rural), adequate child development programs to care for children, provide jobs, and allow women who want to work to enter the labor market, land reform to allow for the re-emergence of the family farm, and increased funds for community economic and social development. The rural issue is how to make these programs responsive to rural needs.

INCOME MAINTENANCE ALTERNATIVES

Turning from full employment to income support programs, there are two major alternatives, i.e., (1) the negative income tax to take the place of much of the welfare or (2) to continue to strive to improve the patchwork of specialized welfare programs on a piecemeal basis.

Actually there are not two alternatives today because the negative income tax is dead as a dodo. 1/

WHAT IS THE REAL ALTERNATIVE?

It is one that builds on already accepted programs and attempts to rationalize and maximize their reach and effectiveness rather than displacing them with a unitary system tied to the stigma of welfare. It separates out persons into broad rather than narrow classes of persons so that support can be built around self-interest and still accomplish income maintenance and supplementation goals. For example, not everyone will be black and poor, but all will become old. Thus, there is more support for improving social security programs geared to assist the aged, rich or poor, black or white, than to reform the welfare system in a way as to improve benefit levels and coverage.

Similarly, many more people can understand and support a reform of Unemployment Insurance to provide benefits to all employables seeking work in addition to those who have earned credits under the system, because everyone can understand what it means to lose a job or be unable to find work. That such reform would cover many now forced to turn to "welfare" is then a more viable route to travel down in extending income assistance coverage than to ask the employed American to think about an NIT as his or her Unemployment Insurance system to making Americans see an NIT for employables as an extension of insurance. In addition, more might be done for the working poor -- 40% of the welfare population -- through public service employment and higher minimum wage laws -- than under a NIT, or at least as much.

Finally, by improving benefits for these classes through programs that command broad support, the effect is to limit the welfare population to those who cannot work or should not work, thus reducing the cost of the program (and its reform) and improving its political acceptability.

WHAT IS THERE TO BUILD ON?

It is impossible in this brief paper to cover all of the welfare programs in sufficient detail to have much meaning except to those who do not need the review at all. Therefore, we are touching on only a few of the programs and those only briefly, to indicate the

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1/ See Appendix for a brief explanation of the negative income tax (Item 1).

nature of the deficiencies particularly as they relate to rural people. 1/

There is no Federal general assistance program. Federal welfare programs limit their eligible participants to that fraction of the poor which can display the most obvious credentials of poverty: the blind, the disabled, the aged, single unemployed parents (almost always mothers) with dependent children. They do not offer benefits to single persons under 65, to childless couples, or to the working poor, 43.3% of whom are rural. (Bureau of Labor Statistics.) With the exception of social security, all of the major programs are dependent on state cooperation and financial contributions. This is the primary reason these programs discriminate against the rural poor.

COMMENTS ON SOME OF THE MAJOR WELFARE PROGRAMS

The mainstay of programs for the elderly and disabled is the Social Security program, the one people pay for with a regressive tax levied on payrolls.

The rural elderly number about 9 million, or 41% of the total elderly population. About one-third (3 million) of the rural elderly live in poverty (measured by the official formula). 2/ They are

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1/ A recent report, prepared by the Office of Rural Development, of the Department of Health, Education and Welfare for the Subcommittee on Rural Development of the Senate Agriculture and Forestry Committee, dated February 6, 1975, is available at the conference. The title is "HEW Programs for Rural America". Apparently many of the administrators of various programs did not have or refused to provide an urban/rural breakdown of benefits. Moreover, in writing the report there was more emphasis on style than on brevity and clarity. Nevertheless, the report is a valuable beginning and a handbook for all of us who are less than experts on the HEW programs.

2/ Table 117 of 1970 Census, Vol. I, Part C, U.S. Summary:

Metro Elderly Poor	Non-metro Elderly Poor	Total Elderly Poor
2,745,000	2,470,000	5,215,000
53%	47%	100%

assisted, if at all, primarily by social security and the Supplementary Security Income program (SSI), which succeeded the Old Age Assistance Program for the elderly.

With 47% of the elderly poor, rural people get 30% of social security payments, and a vague 42-54% of SSI funds. For hospital insurance, (Medicare), rural areas get 37% of payments and 37% of supplementary medical insurance.

AID TO DEPENDENT CHILDREN PROGRAM

The largest of the Federal/State welfare programs is the Aid to Dependent Children program (AFDC). All states participate in this program to some extent. The amount of money each state gets depends on a formula which takes into account the per capita income, but more important, upon how much money the state is willing or able to produce to match Federal funds. Federal grants cover at least 50% of the costs but may cover as much as 65% 1/, depending on need. Unfortunately, those states which are eligible for the maximum in Federal funds are also those least likely to apply for the full amount available. Thus, Arkansas, Alabama, and Mississippi which, in 1972, ranked 48th, 49th and 50th in per capita income 2/ (slightly over $3,000 in each state) were paying AFDC recipients $38.21, $26.89 and $14.30 a month in October 1974. In glaring contrast, Connecticut and New York, ranking second and third in per capita income (slightly over $5,000) paid recipients $80.41 and $98.48 the same month. 3/ The disparity in payments demonstrates the continuing injustice of the Federal/State matching programs.

Twenty-five states subscribe to a significant variation of AFDC, which offers payments for two-parent families in which the breadwinner is unemployed but registered for work with the state employment agency. As enacted in 1961, AFDC-UP (Unemployed Parent) permitted either parent to be considered the breadwinner, a 1967 amendment restricted aid to fathers only, and AFDC-UP became AFDC-UF. Illinois and California are the only two states to recognize

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1/ (Or even 85% if the state applies under an alternate formula.)

2/ The 1974 American Almanac, Table 528.

3/ Public Assistance Statistics, October, 1974, p. 7. (Dept. HEW).

that the breadwinner may be the mother; when she is the unemployed parent, however, she may receive payments from state funds only. While several rural (though no southeastern) states offer AFDC-UF, they enroll comparatively fewer recipients. A major limitation is that the father must prove he has worked less than 100 hours a month; this requirement excludes many of the "self-employed," especially farmers, who cannot prove they are not maintaining their business during off-season. Clearly, in those states which do not offer AFDC-UF, unemployed fathers may choose to contribute to child support through abandoning their families, and thus qualifying them for welfare.

MEDICAID

Because, with few exceptions, only those who qualify for Federal welfare programs qualify for Medicaid, this health payment system exhibits much the same pattern of discrimination as AFDC. In the case of Medicaid, the gaps are even less likely to be filled by the states, only 19 of which reported any medical payments under General Assistance in 1973.

The Federal share of Medicaid costs is at least 50%, and may be as much as 85%, once again depending upon the per capita income of a state. The poorest states do not take advantage of this latitude in the Federal-state funding ratio. California and New York alone, two of the wealthiest states with only 15.6% of the poor children in the country, must pay 50¢ of every dollar spent on Medicaid in their states. Yet together they claim 45% of Medicaid money spent on children for the nation. On the other hand, Texas, Alabama, Louisiana, Mississippi, North Carolina and Tennessee have 25.5% of the nation's poor children, and yet only 3.7% of the national total for Medicaid for children. (Nancy Amidei, The Children Left Behind: A Report on Medicaid and Child Health, draft.)

In addition, there are numerous hurdles in the way of obtaining the meager benefits offered by many rural states. Each state may determine its income requirements for eligibility, and those with the lowest per capita income are likely to set the lowest maximum income standards. For instance, New Mexico limits eligibility among families of four to those with an income of $204 or less a month; in New York the corresponding maximum income is $471. (June, 1974, Amidei, p. 8). If a family does meet the welfare requirements of the state and county where they live, it then has the problem of finding a physician, clinic, or hospital which has agreed to participate in Medicaid and which has been approved by the State Agency. In isolated rural areas, participation by physicians, if there is one, is declining. The combination of lack of state interest with lack of resources accounts in great part for the

fact that according to the most recent reports, only 23% of Federal outlays in Medicaid have gone to rural areas. (5th Annual Report of the President to the Congress on Government Services to Rural America).

FOOD AND NUTRITION PROGRAMS

Food stamps, supplemental food programs, and special food service programs to children are all administered by the U. S. Department of Agriculture. Secretary Butz has been severely criticized throughout his tenure and most vehemently during February Senate Committee hearings for not only failing to fully implement these programs as authorized, but for actually creating obstacles against their full utilization. The administrative flaws in each program have been outlined in the Report on the Hearings before the Select Committee on Nutrition and Human Needs, June, 1974; for the sake of brevity only those which deal with food stamps and rural areas will be mentioned here.

According to the most recent report on federal outlays, rural areas, which contain 40% of the nation's poor, received only 32.7% of food stamp bonuses in 1973. Factors accounting for undersubscription in rural areas include: (1) lack of promotion on the part of USDA and outreach on the part of state agencies (most states do not even have one person working full time on outreach); (2) bonuses which are so low they do not cover the cost of transportation to and from certification offices, issuance points and food stores; (3) the time-consuming and degrading process entailed in applying and being periodically recertified for food stamps (migrant workers are most likely to be discouraged at the prospect of constant recertification in unfamiliar communities, of having to demand time off during working hours to make their way to issuance offices); (4) the chaos of certification requirements churned out by the USDA. Among the latter are vague, incomplete, yet complicated procedures for determining need among the self-employed, such as farmers, and setting up schedules for varying food stamp purchases for the seasonally employed, such as farmworkers and employees of tourism businesses. Most decisions are the responsibility of the local eligibility worker. The requirement that all households have cooking facilities eliminates many migrants and those people, generally elderly, who rent rooms without stoves.

GENERAL ASSISTANCE

The poor who do not qualify for or are not enrolled in categorical Federal welfare programs (i.e., blind, aged, etc.), must look elsewhere for assistance. General "home relief" is available in every state, although in at least half it is not administered

by counties (9 states) or is entirely the responsibility of local jurisdictions (17 states). Those states whose agencies exercise no responsibility for general assistance tend to have a low per capita income, and tend to be rural. (p. 1, Tables summarizing provisions of State Programs of General Assistance HEW).

The assistance which is available is generally short-term, offering small benefits at a flat amount per family, with little relationship to need. It is viewed as emergency relief, a way of dealing with the family which suddenly descends upon the county courthouse, with no food, and possibly no home. New York's State Home Relief Program is the exception, offering long-term benefits to the working poor as well as the unemployed. General assistance payments vary even more widely than the Federal welfare payments, carrying to extremes the same regional contrasts. The table on page 12a, based on reports from 44 states, is illustrative.

PULLING THEM ALL TOGETHER

There is a desperate need in rural areas for a coordination of health, legal, educational, and employment services which would eliminate the necessity for making many trips to different distribution centers and which would eliminate overlap in outreach and administration, thus making both more economically appealing to local governments. The Office of Economic Opportunity, now the Community Services Administration, was authorized to coordinate services through its Community Action Agencies. However, with about 40% of the nation's poor residing in them, rural areas received only 30% of CAP funds. According to Sar Levitan, "The only explanation for the distribution of CAP funds is that areas with the most effective organization and sophistication in the art of grantsmanship received the largest proportion of funds. Rural discrimination was closely related to the absence of effective local organization in sparsely populated rural areas." (p. 121, The Great Society's Poor Law.)

The irony is that while the urban emphasis in appropriations continues (22% of Community Action funds went to rural areas in 1973), 70% of all CAAs are located in rural areas. They are thus forced to operate on a piecemeal basis, underfunded, not highly esteemed in their constituencies, and weary of attempts to deal with tasks too large for their resources to handle. The new Economic Opportunity and Community Partnership Act of 1974 offers little hope of improvement, since it does not require that rural areas be specifically provided for in any way. Should the Ford Administration succeed in its effort to have Community Services transferred to HEW, rather than exist as part of an independent agency, rural CAAs will probably be forced to compete for funds by applying directly to state governors instead of regional offices, and their hopes for equitable treatment will diminish even further.

Another coordinative program which has been chronically threatened by Administration disfavor is the Emergency Food and Medical Services (OEO) which has played an important role in bringing food and medical assistance to previously neglected areas, particularly in rural Texas. EFMS funds have helped keep alive large numbers of supplemental food programs for women and children by picking up administrative costs, and have brought food stamp outreach and transportation services to rural regions where food stamp participation rates have been very low. The program needs to be expanded to adequately serve migrant families and Indians, who, faced with a switch to the food stamp program, need massive assistance over the next several years to develop the transportation and food marketing services necessary to make the program work.

COMMENTS AND RECOMMENDATIONS:

1. The Full Employment Act of 1964 should be implemented. (See THE JOBS QUESTION, page 5).

2. The present state/Federal matching welfare programs such as AFDC have been tried for decades, yet the same shocking inequities which existed at the beginning continue. The rights of citizens to Federal welfare funds should be national rights and not subject to veto or evasion by state or local governments either because those governments are too poor to match funds or because they fail to do so for other reasons.

3. The Federal government should institute a Federal General Assistance program for all persons in need whose requirements are not met by other or new programs. This should be a Federal program, with Federal Standards of eligibility and Federal financing.

4. The present poverty level index should be abandoned in favor of an index which would more accurately reflect the expenditures and realistic needs of the poor, with special reference to the cost of food, shelter and fuel which consume higher portions of the funds of the poor than are reflected in the Consumers Price Index.

5. Some dramatic action is required in making aid services more readily accessible, at less cost, to the poor than at present. This must include provision for public transportation to points of service.

Following is a more comprehensive outline of innovations, changes and improvements which would greatly improve programs for all of those temporarily or permanently in need of assistance.

1. For those who work:

--Increase the Minimum Wage to equal the poverty level at least, and subsidize the cost to those employers who cannot afford to pay such wages because of hardship.

2. For those who can and want to work:

--Provide equity in service for rural people in the employment service or federalize it for that purpose.

--Guaranteed Public Service Employment, with the Government as employer of last resort at decent wages.

--Child Development Programs to allow women who can or want to work to enter the labor market.

--Effective Manpower training programs;eliminate revenue sharing process and insist on elimination of discrimination against rural people.

3. For those who are temporarily unemployed and seeking work:

--Coverage under an expanded Unemployment Compensation System, extended to all employables, with minimal Federal benefits provided as long as no jobs are available, with the extra cost financed out of general revenues.

--Link UI to manpower training, job bank, and public service employment programs.

4. For those who cannot work:

--Improve Social Security Benefit System.

--Increase benefits under SSI for aged and disabled, increase asset allowable, and improve administrative mechanism.

--Revamp Workman's Compensation System.

--Legislate a minimum poverty level floor under AFDC, cover all single persons, couples, and unemployed fathers, and tie level to cost of living.

5. Guarantee Basic Rights for All Americans: Food, Health, Housing.

--Rationalize and simplify eligibility requirements for food stamps, rent supplements, health care, and other basic rights programs.

--Extend food stamp and other nutrition program benefits, improve outreach, eligibility requirements, and cost of living determinations.

--Provide adequate rent supplements, housing allowances and reform housing supply programs to guarantee the availability of decent housing.

--Enact Comprehensive National Health Insurance, with the Government as insurer and regulator of the health delivery system.

APPENDIX-Item 1

INCOME MAINTENANCE

First, to meet the conservative objection to "welfare vs. workfare", it is agreed that families entitled to the basic grant will be able to keep a percentage of every dollar earned above the basic grant (say 50 cents on the dollar) so that they will have an incentive to work (since, it is assumed, there would be no incentive if every dollar earned was taken away in total). Thus, for example, a family that brings in earnings of $2,000 is considered to have only $1,000 in earnings. This family will receive a $4,000 NIT instead of only $3,000 if there was no disregard. Notice also that the principal of fairness has been incorporated. The family that does not work receives $5,000 and the family that makes $2,000 ends up with more, a total of $7,000 ($4,000 NIT + $2,000 earnings= $6,000). But as anyone can see, the cost of the program with this principal incorporated is enormous. The disregard of 50 percent of earnings means, in effect, that every family with earnings under $10,000 annually will receive some form of NIT supplementation, nearly 40% of the population. The cost of the overall program easily triples, and so does the opposition to it. Even subtracting the cost of other programs "cashed out" to make the system simple and unitary, there is pressure to cut the cost.

The way this is done, of course, is to reduce the basic grant and perhaps the amount of the disregard, usually both. At this point, when the $5,000 becomes, say $4,000 or $3,000, the principal of adequacy is defeated. Unfortunately, this is not all that happens. As is the case in many states today, AFDC families receive a welfare payment at about the poverty level (e.g. New York). If the national program sets the basic grant at below the poverty level, and all proposals so far have done so (the Family Assistance Plan and the Griffith and Ford Administration Programs), poor people in high payment states will be worse off with the NIT than under the current system. To correct this, liberals can attempt to incorporate the principal of "hold harmless", or "state supplementation" or "maintenance of effort", which means that high payment states will be required to keep payment levels higher than the lower national floor and use the Federal payment to supplement their own state payments. This may correct the inequity, but tends to undermine state support for the NIT, since the states, aside from humanitarianism, are interested in fiscal relief. Unfortunately, even with a hold harmless rule, people are in many cases made worse off. Remember: As part of the program, other benefit programs such as food stamps are "cashed out". High payment states also provide food stamp and other inkind assistance over and above a near poverty level payment. Even if the cash payment were maintained,

people in these states lose the value of these programs. At this point, the problem approaches fantasy levels, as designers begin to think of how to make the state increase payments to hold people harmless from a program which was supposed to provide adequate income!

Although this is an oversimplified discussion of the negative politics of the NIT, it is not an unfair representation of what happened to the Nixon Family Assistance Plan and what probably would happen if a serious effort were made to introduce and legislate an NIT today.

What should be emphasized to a rural constituency, however, is that the NIT would benefit rather than hurt a good number of the rural poor, even if the floor was set at a level below the poverty line. Many states, where the rural poor are concentrated, especially in the South, are low payment states. The NIT would raise benefits in these states, substitute for discriminatory and inefficient local welfare administration, and poorly managed food assistance programs. The rural dilemma, however, is whether rural advocates should push for an NIT that harms the urban poor, and how to marshall the forces to pass the NIT, should they decide to do so, when the proposal alienates urban support. This is a considerable problem, given the fact that the rural poor must also contend with the fact that many of their congressional representatives are conservatives who even oppose a minimum floor NIT, and who have, in the past, used the vehicle of "welfare reform" to enact more repressive measures, such as work requirements, while gutting the ameliorative aspects of the NIT or Guaranteed Annual Income mechanism.

Of course, the political climate could change and major tax reform could produce the revenues to pay for a decent NIT without further burdening, and thus alienating, the majority of Americans who are opposed to "welfare spending" and larger social service expenditures that increase its tax burden disproportionately, given the non-progressive nature of the current tax system. Until this happens, however, there is need for an alternative.

-- GENERAL ASSISTANCE: RECIPIENTS OF MONEY PAYMENTS AND AMOUNT OF PAYMENTS, BY STATE, OCTOBER 1974
(INCLUDES NON-MEDICAL VENDOR PAYMENTS) 1/

STATE	NUMBER OF CASES	NUMBER OF RECIPIENTS	PAYMENTS TO RECIPIENTS TOTAL AMOUNT	AVERAGE PER CASE	AVERAGE PER RECIPIENT	PERCENTAGE CHANGE FROM SEP 1974 IN NUMBER OF RECIPIENTS	PERCENTAGE CHANGE FROM SEP 1974 IN AMOUNT	PERCENTAGE CHANGE FROM OCT 1973 IN NUMBER OF RECIPIENTS	PERCENTAGE CHANGE FROM OCT 1973 IN AMOUNT
TOTAL, 44 STATES	543,190	787,842	$74,925,622	$137.94	$95.10	0.1	3.7	10.3	36.4
ALABAMA	56	56	700	12.50	12.50	-	-	-45.6	-45.5
ALASKA	132	342	16,357	123.92	47.83	-38.8	-28.6	-31.6	-10.7
ARIZONA	3,701	3,701	276,185	74.62	74.62	1.8	1.7	32.0	39.9
ARKANSAS	377	1,108	6,259	16.60	5.65	4.8	17.3	-7.3	-10.0
CALIFORNIA	44,32[illegible]	48,686	4,671,903	105.41	95.96	1.9	9.4	2.5	24.1
COLORADO	2,943	3,692	279,592	95.00	75.73	-4.6	-1.8	-11.4	-17.0
CONNECTICUT	10,150	19,627	1,201,239	118.35	61.20	4.6	6.4	-3.6	-3.5
DELAWARE	2,046	3,522	117,120	57.24	33.25	3.9	4.7	13.1	16.7
DIST OF COLUMBIA	5,329	5,629	758,760	142.38	134.79	3.3	3.2	35.3	55.9
GEORGIA	2,174	3,975	103,708	47.70	25.96	9.7	4.2	7.1	4.8
GUAM	48	48	3,616	-	-	-	-	-	-
HAWAII	5,810	12,064	1,243,053	213.95	103.04	0.3	1.1	-4.1	34.7
ILLINOIS	58,110	72,504	7,968,509	137.13	109.90	1.2	6.2	14.3	30.3
KANSAS	4,477	6,977	538,270	120.23	77.15	-4.1	-7.1	-0.3	3.9
LOUISIANA	7,362	7,728	407,404	55.34	52.72	-3.5	-3.2	-19.7	-18.7
MAINE	3,817	11,954	270,626	70.90	22.64	-4.9	14.6	10.9	22.9
MARYLAND	12,216	12,862	1,333,085	109.13	103.65	3.1	4.4	6.5	21.0
MASSACHUSETTS	33,595	39,782	4,794,518	142.72	120.52	4.3	-4.7	-7.8	30.5
MICHIGAN	47,753	60,644	7,579,910	158.73	124.99	1.2	1.6	23.9	42.3
MINNESOTA	8,450	12,560	1,116,750	132.16	88.91	3.1	5.6	28.6	89.2
MISSISSIPPI	916	1,171	13,904	15.18	11.87	1.4	-0.8	-5.5	-2.2
MISSOURI	10,730	11,653	716,913	66.81	61.52	-2.9	-3.4	-16.5	-19.3
MONTANA	612	1,217	32,166	52.56	26.43	-7.0	-1.1	-21.7	-23.6
NEW HAMPSHIRE	1,361	3,413	119,135	87.53	34.91	2.5	-2.0	47.0	60.8
NEW JERSEY	22,273	49,523	3,619,740	162.52	73.09	0.5	-5.9	10.7	26.3
NEW MEXICO	246	271	18,788	76.37	69.33	12.4	10.0	44.9	60.7
NEW YORK	94,383	171,022	18,699,994	198.13	109.34	-1.0	10.7	9.0	63.2
NORTH CAROLINA	2,312	5,148	96,659	41.81	18.78	10.9	24.4	4.0	37.2
NORTH DAKOTA	69	174	5,370	77.83	30.86	-30.7	14.7	-29.3	-2.3
OHIO (SEPT. DATA)	40,636	63,612	3,388,268	83.38	53.26	#	#	#	#
OKLAHOMA	427	894	8,060	18.88	9.02	-69.[illegible]	-6[illegible].8	-78.1	-79.9
OREGON	3,074	3,227	353,485	114.99	109.54	-1.9	21.1	68.9	83.1
PENNSYLVANIA	81,751	94,345	11,654,284	142.56	123.53	-0.5	*	17.0	31.0
RHODE ISLAND	5,146	9,827	743,070	144.40	75.62	-16.4	4.3	-21.3	23.1
SOUTH CAROLINA	710	832	41,519	58.48	49.90	13.7	13.7	51.0	89.3
SOUTH DAKOTA	405	1,013	14,604	36.06	14.42	-26.2	-24.6	1.8	19.3
TENNESSEE (SEPT. DATA)	1,693	4,902	54,196	32.01	11.06	#	#	#	#
UTAH	1,528	1,693	153,078	100.18	92.05	9.0	6.9	59.9	101.6
VIRGIN ISLANDS	309	325	17,211	55.70	52.96	0.0	-0.5	-12.2	-8.9
VIRGINIA	7,312	10,285	754,060	103.13	73.32	10.8	-0.9	5.6	8.5
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	141.3
WEST VIRGINIA	1,774	5,986	91,278	51.45	15.25	4.8	19.3	41.1	78.7
WISCONSIN	5,425	8,940	589,440	108.65	65.93	3.7	5.1	-9.9	9.1
WYOMING	186	365	11,744	63.14	32.18	13.4	15.3	43.1	60.6

* INCREASE OR DECREASE OF LESS THAN 0.05 PERCENT
\- AVERAGE PAYMENT NOT COMPUTED ON BASE OF FEWER THAN 50 FAMILIES OR RECIPIENTS; PERCENTAGE CHANGE ON FEWER THAN 100 RECIPIENTS.

1/ Public Assistance Statistics, October, 1974, National Center for Social Statistics (HEW).